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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 09//06

Index:

- 1) Top headlines
- 2) Editorials
- 3) Prime Minister's daily schedule

Security angles:

- 4) Former Prime Minister Nakasone proposes Japan study nuclear arming itself in case alliance with US fails
- 5) GSDF brass turned commentator Shikata says Japan should have a preemptive strike capability
- 6) MSDF ship off Aomori Prefecture accidentally fires 10 rounds of shells toward private homes on shore
- 7) Prime Minister Koizumi tops all of his predecessors in overseas travel: 47 countries in 51 trips abroad
- 8) Chinese premier tells Keidanren chairman that obstacles have to be removed before he can visit Japan
- 9) Japan, ROK reach no agreement in talks to set prior-notification system for surveys in disputed EEZ waters between the two countries
- 10) Japanese companies may provide US with nuclear-recycling technology
- 11) METI to promote development of domestic passenger plane by 2012

Political season:

- 12) LDP bloc convention series ends as presidential campaign rolls toward final phase
- 13) Abe camp alarmed by proposed Diet opening on Sept. 26, five days after LDP election, leaving open party scramble for posts in new administration
- 14) New Komeito to issue new political action plan that will draw a line from Abe's conservative stances
- 15) Minshuto (Democratic Party of Japan) head Ozawa to issue party "vision" on 11th

Articles:

## 1) TOP HEADLINES

Asahi:

Amendment to the Money Lending Control Law will raise interest rates, with special interest rate likely to be set at 28% per year

Mainichi:

Consumer loan firms collected debts in 3,649 cases of borrowers' suicides

Yomiuri:

Extension of Narita Airport temporary runway to be started before the end of this month with agreement reached with local residents on noise measures

Nihon Keizai:

METI outlines a plan for commercial production of jet planes with 120 billion to be contributed from government and private sector

TOKYO 00005054 002 OF 010

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 09//06

Sankei:

Japan to send an official government delegation of 1,000 persons to trade fair in China

Tokyo Shimbun:

MSDF ship misfires 10 rounds while moored off Aomori's port

Akahata:

JCP Chairman Shii visiting ROK, first JCP head to visit there

## 2) EDITORIALS

Asahi:

- (1) Kickback money scandal involving Gifu Prefectural Government: Former government should take responsibility
- (2) Frozen sperm: Flaw in legislation

Mainichi:

- (1) Fertilization after death: Rules should be set for reproduction technology
- (2) Civil engineering technology: Handing down of technology at home and abroad

Yomiuri:

- (1) Removal of gray zone interest rate should not be watered down
- (2) Corrupt prison officers: Illegal acts still exist in prisons

Nihon Keizai:

- (1) Russia needs to improve investment environment
- (2) Cell phone charges should be reduced with adoption of number portability system

Sankei:

- (1) Kickback money scandal involving Gifu Prefectural Government: Grande-scale organized crime
- (2) Frozen sperm: Broad discussion necessary

Tokyo Shimbun:

- (1) Reform of local government finance: Need to be prepared for zero-base budget

(2) Exchanges of Japanese and Chinese senior high school students to make a lot of friends

Akahata:

Budget request for military spending aimed at backing up US world strategy

3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, September 5

NIHON KEIZAI (Page 2) (Full)  
September 6, 2006

09:21

Handed over endorsement certificates to those who plan to run for the by election in the Lower House Osaka Constituency No. 9 at LDP Headquarters. Secretary General Takebe was present. Then attended a party executive meeting.

10:02

Attended a cabinet meeting at the Prime Minister's Official

TOKYO 00005054 003 OF 010

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 09//06

Residence (Kantei). Then attended a meeting of the Central Urban District Revitalization Headquarters and a meeting of the Experts Council for Active Agriculture, Mountain and Fishing Villages.

14:03

Met with outgoing and incoming Vice Environment Ministers Tamura and Sumitani. Then met with Cabinet Office Vice Minister Uchida and others.

15:00

Met with Deputy Foreign Minister Nishida and European Affairs Bureau Director General Harada of the Foreign Ministry.

16:30

Met with Deputy Assistant Chief Cabinet Secretary Ando.

18:31

Dined with cabinet ministers, the deputy chief cabinet secretary and others at the Kantei, joined by Chief Cabinet Secretary Abe and Foreign Minister Aso.

4) Nakasone calls for studying option of arming Japan with nuclear weapons

TOKYO SHIMBUN (Page 2) (Full)  
September 6, 2006

The Institute for International Policy Studies chaired by former Prime Minister Yasuhiro Nakasone released yesterday afternoon a set of proposals urging Japan to study the option of arming itself with nuclear weapons to be prepared against tremendous future changes in the international climate.

Nakasone told the press conference:

"Whether or not the United States (which has provided Japan with a nuclear umbrella) will maintain the same attitude is unpredictable. There is a need to study the option of nuclear weapons."

Nakasone's proposal that might lead to an abandonment of the three non-nuclear principles is likely to create a stir.

Nakasone also said: "First, Japan should remain as a non-nuclear power, second the Nuclear Nonproliferation Treaty (NPT) system must be strengthened."

The proposals also call for the possession of an enemy-base strike capability as a step to enhance Japan's self-defense capabilities. The proposals also call for: (1) continued efforts to win a permanent UN Security Council seat; (2) establishment of a national intelligence bureau directly under the prime minister; and (3)

establishment of a National Security Council by strengthening the Security Council of Japan.

5) Shikata in speech in Wakayama conference says that Japan "should have preemptive strike capability"

SANKEI (Page 2) (Full)  
September 6, 2006

Speaking at a Sankei-sponsored conference in Wakayama yesterday on the theme of "Responding to the New Threats," Teikyo University

TOKYO 00005054 004 OF 010

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 09//06

Professor Toshiyuki Shikata stressed that sole self-defense alone would not be able to respond to attacks from international terrorists and failed states. He advocated: "Japan should possess the military capability of preemption against enemy bases. Whether we would actually use the weapons or not would be a political decision."

In addition, he touched on the situation of Japan having to depend on the United States in various ways, such as the US' nuclear deterrence and intelligence gathering. "The reason why Japan lacks the military capability of making a preemptive strike is because political decisions have been neglected," he pointed out. "It is possible for us to set up system where we do not have to rely on the US for its intelligence, which forms the basis of political decisions."

Profile: Toshiyuki Shikata, a professor at the Law Faculty of Teikyo University, is a former defense attach at the Japanese Embassy in the US and commanding general of the Ground Self-Defense Force's Northern District Army.

6) MSDF ship docked in Aomori misfires 10 machinegun rounds in direction of private houses

TOKYO SHIMBUN (Top play) (Abridged slightly)  
September 6, 2006

A 50-ton Maritime Self-Defense Force missile ship docked at the Ominato base in Aomori Prefecture misfired 10 20mm machinegun rounds on the night of Sept. 5, the Defense Agency said. The ship belongs to the Yoichi coastal defense post in Hokkaido.

The ship negligently fired four live and four training rounds at around 7:19 p.m. in a direction of the Ominato regional headquarters and private houses two kilometers ahead. Whether the misfire caused any damage remains unknown. The MSDF is searching for the fired rounds in cooperation with local governments, police forces, and firefighters.

According to the MSDF, two missile vessels left the Yoichi coastal defense post earlier in the day. They conducted a machinegun firing drill at sea and entered the Ominato base at around 6:00 p.m. The misfiring occurred in the process of checking the machineguns.

The MSDF has three hydrofoil missile ships of the same type which all belong to the Yoichi coastal defense post. Each carries two ship-to-ship missiles, one 20mm machinegun, and 11 crewmembers.

In February 1999, an MSDF petty officer 2nd class aboard the escort ship Haruna docked at the Maizuru base in Kyoto fired two live rounds using the Close in Weapon System (CIWS) in a direction of land for the purpose of disposing of the live shells left behind from the drill conducted in December 1998. Although the shells are believed to have landed in Mt. Aoba in Takahama Town, Fukui Prefecture, they have not been found.

7) Prime Minister Koizumi visits 47 countries, makes 51 overseas trips

MAINICHI (Page 2) (Excerpts)  
September 6, 2006

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 09//06

Prime Minister Junichiro Koizumi will leave for Finland tomorrow to attend the summit of the Asia-Europe Meeting (ASEM). This will be his 51st and last overseas trip as premier, giving him the highest total among the nation's prime ministers, more than twice the 22 trips made by former Prime Minister Yasuhiro Nakasone. He is expected to exchange views with ASEM leaders on Iran's nuclear program and international cooperation to resolve the abduction issue.

Koizumi will have visited a total of 47 countries, topping the 30 by former Prime Minister Toshiki Kaifu. By country, he visited the United States seven times. He made his first trip to the US in June 2001 and his second in September 2001 immediately after the 9/11 terrorists attacks. In his latest visit to the US in June, he was able to play up his close ties with President George W. Bush, visiting the residence of Elvis Presley along with the president.

Koizumi went to China and South Korea six times. However, summits with Chinese and South Korean leaders have been suspended since Koizumi visited Seoul in June last year. He visited the Memorial Hall of the War of Resistance Against Japan in Beijing in October 2001.

8) Chinese Premier Wen tells Keidanren chairman about the need to remove obstacles against Japan visit

SANKEI (Page 3) (Excerpts)  
September 6, 2006

Minoru Nagata, Beijing

Japan Business Federation (Keidanren) Chairman Fujio Mitarai yesterday met with Chinese Premier Wen Jiabao at the Great Hall of the People and asked him to visit Japan. According to a person accompanying Mitarai, Wen told Mitarai: "Normal, high level exchanges can be realized once political obstacles are removed." Wen thus indicated that resolving the issue of the prime minister's visits to Yasukuni Shrine is the condition for the resumption of exchanges of top leaders of Japan and China, which have been interrupted for nearly five years.

Mitarai is visiting China as the top advisor of the Japanese delegation to China sent by the Japan-China Economic Association. Wen said to Mitarai: "The reason why political obstacles have been caused is known to everybody. I think both countries need to endeavor to remove the obstacles as soon as possible." This remark is taken as a message toward the next prime minister after Koizumi, as the Liberal Democratic Party presidential race approaches.

9) Japan, ROK fail to reach agreement on establishment of prior reporting system

YOMIURI (Page 2) (Full)  
September 6, 2006

Kyoji Fukushima, Seoul

Japan-ROK intergovernmental talks on the demarcation of the exclusive economic zones (EEZs) of the two countries, held yesterday at South Korea's Ministry of Foreign Affairs and Trade, ended without any progress, although both sides agreed to hold the next round of the talks in Tokyo. The negotiations also failed to reach

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 09//06

agreement on the introduction of a prior reporting system that would require both countries to report to each other about marine surveys planned in waters where no demarcation has been set, for example, the area around Takeshima (Dokdo). Both sides, however, agreed to continue the negotiations on the prior reporting system, aside from the demarcation talks.

During the talks yesterday, the negotiators from the two governments remained firm in their principles and went no further than to confirm that they would accelerate the negotiations so that demarcation can be realized in accordance with international law and with an agreement. A timetable for the next round of talks will be discussed in the days ahead. Both sides want to meet again by the end of the year. On the question of the prior reporting system, both sides set out their basic notions, but Japan failed to bring out any positive stance about the system from South Korea.

Japan's Administrative Vice Foreign Minister Shotaro Yachi late yesterday arrived in Seoul to attend the Japan-ROK vice foreign ministerial strategic dialogue, one day ahead of the initial schedule because his South Korean counterpart, Yu Myung Hwan, conveyed to Yachi that the bilateral dialogue could be started at noon today. Japan plans to conduct an environmental survey in waters around Takeshima at late September or in October to see how nuclear waste dumped by the former Soviet Union in the Sea of Japan has affected the waters. But if under this circumstance, this survey were carried out as planned, the possibility is not ruled out that South Korea will dispatch patrol boats to the water area to be surveyed and clash with the survey boat.

10) Aiming at contract, Japanese companies to propose exporting technology for US' nuclear recycling program

YOMIURI (Page 1) (Excerpts)  
September 6, 2006

JAERI (Japan Atomic Energy Research Institute) and several nuclear reactor manufacturers, including Mitsubishi Heavy Industries, Toshiba, and Hitachi are aiming at receiving orders from the United States for high-speed reactors and nuclear-fuel reprocessing facilities for spent fuel that are planned to come on line in 2020, and have decided to put forth a technology proposal. Because of international proliferation of nuclear weapons and the difficulty in the US of reducing the amount of nuclear waste, the government is switching from the previous method of disposing of nuclear waste underground to a plan of recycling spent fuel. Japan thus aims to export its technology of building high-speed reactors (Monju) and recycling spent fuel to the US. The proposal will be sent to the US Department of Energy around Sept. 8.

11) Commercial production of domestically-produced jet to start in fiscal 2012: Government, private sector to disburse 120 billion yen

NIHON KEIZAI (Top Play) (Excerpts)  
September 6, 2006

The Ministry of Economy, Trade and Industry (METI) has set an outline for the nation's first plan for commercial production of a domestically-manufactured jet passenger aircraft, a project to be promoted together with Mitsubishi Heavy Industries. It will set up a special purpose company (SPC) financed by the private sector with the aim of launching flight services in fiscal 2012. The company

TOKYO 00005054 007 OF 010

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 09//06

will procure approximately 120 billion yen as development funds. Mitsubishi Heavy Industries will be responsible for developing and selling the envisaged jets. The government intends to enhance the international competitiveness of the aircraft industry and parts and raw material industries through the practical use of domestically-produced jets after a hiatus of about 50 years.

The plan is to develop a 72-seater small-size jet and a 92-seater medium-size jet. Fuel efficiency will be more than 20% higher than competing models. METI and Mitsubishi Heavy Industries have developed elemental technology since fiscal 2003, but a massive amount of money is needed for commercialization. It has been a case in point whether a fund procurement system aimed to reduce the burden of Mitsubishi Heavy Industries can be worked out.

According to the of the commercial production plan, the SPC will be established as early as 2008, funded by domestic trading companies

and banks, as well as Mitsubishi Heavy Industries. The company will also procure development funds through loans from private banks and government-affiliated financial institutions. The state will also disburse subsidies.

Boeing of the US and Airbus of Europe have also received financial assistance from their governments in developing passenger planes. In view of these examples, the government has judged that it would be necessary for the government and the private sector to tackle the commercial production of jets in cooperation. The only passenger plane manufactured by Japan is the YS-11 plane, which made its maiden flight in 1962. A special company jointly funded by the government and the private sector carried out the project. The ratio of government subsidies for the project this time will be around 30%, a level in conformity with the US and European cases.

12) LDP regional conventions end; Presidential candidates play up policies; Not enough debate

NIHON KEIZAI (Page 2) (Excerpts)  
September 6, 2006

The Liberal Democratic Party (LDP) yesterday wrapped up its regional conventions for the Sept. 20 party leadership race. The conventions were held in 10 cities across the nation. The holding of the regional conventions for the presidential race was the first challenge led by the LDP executive, including Secretary General Tsutomu Takebe. All three presidential candidates viewed the events

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favorably, saying that they were able to explain their major policy platforms. However, the three candidates failed to debate, simply explaining their policies.

29,000 participants in 10 cities

Prime Minister Junichiro Koizumi told reporters last night:

"I think the conventions were good, since many people took part and the candidates were able to explain their views.

The first convention was held in Tokyo on July 28, and the last one in Nagoya yesterday. The purpose of holding the regional conventions was to give the presidential candidates opportunities to explain their policy platforms to the public to increase voter interest in the presidential election. A total of 29,000 people participated in the ten conventions.

TOKYO 00005054 008 OF 010

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 09//06

13) Abe and his supporters concerned about office-seeking intensifying; Extra Diet session to be convened on Sept. 26

MAINICHI (Page 2) (Excerpts)  
September 6, 2006

Meeting strong opposition by the leading opposition party Minshuto (Democratic Party of Japan), the proposed Sept. 22 starting date for an extraordinary Diet session to select the next prime minister has been slipped to the 26th. The change in the starting date for the extra session will likely affect the selection of cabinet members and Liberal Democratic Party (LDP) executives by Chief Cabinet Secretary Shinzo Abe, who is expected to win the LDP presidential

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election. The starting date for Sept. 22 was set in order to prevent office-seeking activities by those looking forward to entering an Abe cabinet by convening the extra session soon after the Sept. 20 LDP leadership race. The delay of the convocation of the Diet session will likely create confusion in Abe's selection of key officials.

The party's Secretary General Tsutomu Takebe, who is close to Abe, said yesterday at a press conference: "The LDP president becomes in effect the prime minister. The public also hopes for the

establishment of the new cabinet and a policy speech by the new prime minister." Abe's aide urged the Prime Minister's Official Residence to convene the extra Diet session on Sept. 22, concerned that it won't be good to convene the session one week after the new LDP president was elected on Sept. 20 because Abe's appointment of key officials will become complicated. Prime Minister Junichiro Koizumi expressed understanding for an early convocation of the extra session, saying on Aug. 25, "It would be good to convene the session soon after the new president is elected."

14) New Komeito drafts action program to keep cautious distance from Abe

MAINICHI (Page 5) (Excerpts)  
September 6, 2006

The New Komeito has drafted its action program covering the next two years expressing its concern over Japan's discord with China and South Korea and a determination to maintain Article 9 of the Constitution, which renounces war and the possession of war potential. The action program is likely to dampen the conservative policy of Chief Cabinet Secretary Shinzo Abe, the frontrunner in the Liberal Democratic Party presidential race. Although the party's action program two years ago took a negative view about exercising the right of collective self-defense, the program this time does not touch on the issue, seemingly in deference to Abe, who is eager to allow the government to exercise it by altering the government's interpretation of the Constitution. The LDP's coalition partner is likely to maintain a cautious distance from an Abe administration.

Asked by a reporter for his opinion about Abe's constitutional view on Aug. 31, New Komeito Acting Secretary General Akihiro Ota, who is certain to become the new representative of the party, declined to express his view. In 2004, the New Komeito adopted an action that read: "The dominant view in the party is that Japan is not allowed to exercise the right of collective self-defense." Critical views are deeply seated in the party and its support base, Soka Gakkai. "It's not our policy to allow the country to exercise the right of

TOKYO 00005054 009 OF 010

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 09//06

collective self-defense. We would not hesitate to dissolve the coalition arrangement with the LDP, if necessary," a senior New Komeito lawmaker said.

But given the circumstances, the party may have to lean toward a pragmatic approach. In the Upper House election next summer, the New Komeito will aim to maintain its 13 seats, which seems difficult at present. Of the important bills carried over from the previous ordinary Diet session, the party wants to enact controversial bills, such as those to amend the Basic Education Law and to raise the Defense Agency to ministry status, in the upcoming extraordinary Diet session in the fall without waiting for the next year's regular Diet session, which will soon be followed by the Upper House election. To that end, the New Komeito needs to maintain good relations with the LDP.

In addition, the New Komeito will adopt in the upcoming party convention a new setup handed by Ota, who will replace Representative Takenori Kanzaki. With New Komeito-LDP coalition government talks approaching, some senior Komeito members have begun calling for caution in handling the question of the right of collective self-defense for the time being.

15) Ozawa to release new vision for DPJ presidential election on the 11th

TOKYO SHIMBUN (Page 2) (Full)  
September 6, 2006

Minshuto (Democratic Party of Japan = Minshuto) head Ichiro Ozawa has decided to release during a press conference to be held on Sept. 11 a new policy vision for a party presidential election to be announced on the 12th.

He will return to Japan from the US on the 7th. The plan is to meet



with Deputy Chief Naoto Kan and Secretary General Yukio Hatoyama at the party headquarters on the morning of the 8th for the final coordination of the new vision.

The new vision is characterized as Minshuto's basic policy proposal in the run-up to the Upper House election next year. During the April party presidential election, Ozawa put up creation of a fair country as a reform target. To achieve that end, he made policy proposals, including cutting income tax rates, totally abolishing tax grants allocated to individual local governments and instead introducing a package allocation system as independent fiscal funds, establishing United Nations-centered security principles, etc. The new vision is expected to be the materialization of these proposals. Ozawa will also present political principles along with the new vision. He will thus clarify a stance of aiming for a changeover of government.

Minshuto during yesterday's directors meeting made a final selection of 239,323 party members and supporters who are eligible to vote in the presidential election. Party members and supporters in 300 small election districts will vote by mail. A candidate who garnered the largest number of votes in each district will be given one point.

Takashi Kawamura (elected from the Aichi Constituency No. 1), a Lower House member, is also eager to run in the election. However, he has no prospect for being able to secure 20 supporters from among lawmakers who belong to Minshuto. As such, Ozawa will be mostly

TOKYO 00005054 010 OF 010

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 09//06

likely reelected without voting by party members and supporters.

SCHIEFFER